

**Congress of the United States**  
**Washington, DC 20515**

September 27, 2019

The Honorable Seema Verma  
Administrator  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
200 Independence Ave, SW  
Washington, DC 20201

**RE: Medicare Program; CY 2020 Revisions to Payment Policies [CMS-1715-P]**

Dear Administrator Verma:

We are writing in response to the Centers for Medicare and Medicaid Services' (CMS) proposed Calendar Year (CY) 2020 Revisions to Payment Policies under the Medicare Physician Fee Schedule (MPFS) and Other Revisions to Medicare Part B. In sum, the proposed payment policy completely fails to account for the unique costs of providing medical services in Hawai'i and will lead directly to an accelerating shortage of health care providers across our state and especially in more vulnerable communities.

As part of the ongoing reevaluation process, CMS is required to review and adjust the Geographic Practice Cost Indices (GPCIs) at least every three years to reflect the variations in the costs of furnishing services across the country. GPCIs were created to reflect the relative cost of work, practice expenses and malpractice insurance in an area compared to the national average cost.

Since relative costs cannot be standardized by a simple formula, adjustments have been made to account for real-world costs that cannot be captured in CMS's standard formula for calculating GPCIs. This is why the current formula includes the permanent 1.5 work GPCI floor for Alaska and the GPCI practice expense floor for the frontier states (Montana, Wyoming, Nevada, North Dakota and South Dakota).

These two adjustments should serve as the basis for reevaluating the cost of providing medical services in Hawai'i. We believe Hawaii's adjustment factors should be updated since the current formula fails to fully account for Hawaii's unique geography, high cost of living and shipping costs.

As an island state, Hawaii's unique geography makes it inherently difficult to provide healthcare services uniformly across the state. This unique geography includes large rural areas, areas of sparse population, fragmentation, duplication due to roadless areas (including due to ocean geography) and higher costs due to the lower volume of patients served. These geographic challenges make it not only difficult to provide access to services but also increases healthcare costs.

The Alaska adjustment is especially informative in this situation since Hawai'i has many similar characteristics to Alaska when it comes to geography. As noted before, Alaska retains a significantly higher reimbursement fee due to the 1.5 work GPCI floor. For example, in 2018, the reimbursement in Hawai'i for an initial observation care appointment (CPT 99218) was \$103.67 compared to \$137.92 in Alaska. These reimbursement disparities exist even though Hawai'i and Alaska share many of the same characteristics as the two noncontiguous states in the Union.

In addition to Hawaii's unique geography which makes providing care more expensive, Hawaii's cost of living consistently ranks amongst the highest in the nation, and wages used by CMS do not reflect the cost of living, leading to an inadequate physician fee reimbursement rate. Data from the Bureau of Economic Analysis shows that the Regional Price Parities (RPP) put Hawaii's cost of living in the same level as San Francisco, CA. However, Medicare reimbursements in Hawai'i remain significantly lower than San Francisco or its other RPP city counterparts.

Cost of living is yet another factor that the Medicare reimbursement formula must capture in order for physicians in Hawai'i to provide high-quality care for Medicare beneficiaries. CMS should use data and/or revise its formula to take into account the high cost of living to more accurately represent the cost of providing medical services in the State of Hawai'i. This disparity in the reimbursement rate makes it difficult for providers to provide care which has led to a significant physician shortage in the islands.

Moreover, the proposed rule states that for the practice expense calculation for equipment, supplies, and miscellaneous expenses component "does not vary by geographic area and therefore does not require updating" We dispute this assumption. The high cost of shipping equipment plays a major part in the high cost of healthcare in Hawai'i. Practice expenses must reflect this additional cost that exists in Hawai'i and not in the mainland United States, even if CMS does not consider this expense.

The consequence of these low Medicare physician reimbursements are having a serious effect in Hawai'i. It has led to healthcare provider shortages across the State of Hawai'i. The Island of O'ahu has a 46% shortage of general practice and family practice doctors, and the Island of Kaua'i has no island-based specialists in infectious disease, critical care, neonatal perinatal care, geriatrics, allergy/immunology or rehabilitation physicians. Hawai'i Island has no island-based neonatal perinatal care, infectious disease or colorectal surgery physicians.<sup>[1]</sup> Furthermore, in 2018, 39 physicians left the state. Inadequate Medicare reimbursements are often cited as a major reason why it is difficult to practice in Hawai'i and why health care professionals either leave Hawai'i or never come to start with.

To ensure that Hawai'i is receiving adequate reimbursement, we ask that CMS fully recognize Hawaii's unique geographic differences, cost of living and shipping costs and increase the Medicare physician reimbursement rate by exercising its existing discretion to adjust the formula

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<sup>[1]</sup> <https://jabsom.hawaii.edu/hawaii-doctor-shortage-takes-a-troubling-turn-for-the-worse/>

to reflect the cost of practice in the State. GPCIs were created to reflect the variations of costs throughout the United States, but they have simply not reflected the real costs of providing services in Hawai'i. We believe that this adjustment should result in a factor at least equal to Alaska's as there is no functional difference that justifies Hawai'i being assigned a lower factor.

We thank you for your prompt attention to this matter. If you have any questions, please reach out to Kana Smith with Congressman Ed Case's staff at [kana.smith@mail.house.gov](mailto:kana.smith@mail.house.gov) or (202) 225-2726.

Sincerely,



Brian Schatz  
United States Senator



Mazie K. Hirono  
United States Senator



Tulsi Gabbard  
Member of Congress



Ed Case  
Member of Congress